

Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 10693 032138Z

22

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /078 W

----- 110982

R 032011Z SEP 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4640

LIMITED OFFICIAL USE CARACAS 10693

E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: DEBT CONSOLIDATION

REF: CARACAS 10214

1. ACCORDING TO A LOCAL U.S. BANK REPRESENTATIVE, THE GOV HAS RECEIVED DETAILED, SERIOUS RESPONSES TO ITS INVITATION FOR LOANS TO REFINANCE AND CONSOLIDATE SOME ONE BILLION DOLLARS IN SHORT TERM PUBLIC DEBT CONTRACTED BY GOVERNMENT AUTONOMOUS INSTITUTIONS. THE INVITATION WAS SENT TO 28 INTERNATIONAL BANKS, MERCHANT BANKS AND BROKERAGE HOUSES WITH A DEADLINE OF AUGUST 30.

2. THE RESPONDING INSTITUTIONS ARE DIVIDED INTO THREE GROUPS: 1) A SYNDICATE CONSISTING OF CHASE MANHATTAN BANK, BANK OF AMERICA, AND THE DEUTSCHES BANK AS PRINCIPAL LENDERS, WITH HALF A DOZEN OR MORE ASSOCIATED INSTITUTIONS; 2) A SYNDICATE MADE UP OF MORGAN GUARANTY, CITY BANK, AND CHEMICAL AS PRINCIPALS, WITH ABOUT EIGHT ASSOCIATES; AND 3) A GROUP HEADED BY THE FIRST BOSTON CORPORATION. THE FIRST TWO GROUPS HAVE MADE FULLY SUBSCRIBED OFFERS; FIRST BOSTON HAS APPARENTLY OFFERED TO ARRANGE THE CREDIT, BUT OFFERED NO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 10693 032138Z

FIRM COMMITMENTS. THE GOV HAS TOLD PARTICIPANTS THAT THEY

MAY EXPECT A RESPONSE IN ABOUT 10 DAYS.

3. ACCORDING TO THE EMBASSY'S SOURCE, THE CENTRAL BANK'S REQUEST FOR INTEREST RATE QUOTATIONS BASED ON THE LONDON INTERBANK RATE OR THE U.S. DOMESTIC PRIME RATE IS NORMAL AND NOT UNEXPECTED. USING THESE PERIODICALLY-ADJUSTED RATES AS A BASE, BANKS WERE ASKED TO QUOTE ADDITIONAL INTEREST CHARGES AND LOAN PLACEMENT FEES. BASED ON CURRENT RATES FOR COMPARABLE TRANSACTIONS, OUR SOURCE ESTIMATED THAT THE OFFERS RECEIVED WOULD BE BETWEEN 7 AND 8 PERCENT. THE CENTRAL BANK CALLED FOR A MINIMUM TERM OF 7 YEARS INCLUDING A 2 YEAR GRACE PERIOD.

4. THE CENTRAL BANK HAS APPARENTLY PRESERVED ALL ITS OPTIONS IN RESPONDING TO THE OFFERS. RATHER THAN ACCEPTING THE OFFERS TO SYNDICATE THE ENTIRE AMOUNT, THE CENTRAL BANK MAY ELECT TO SELECT ONLY THE DIRECT LOAN OFFERS, THEREBY SYNDICATING ITS OWN ARRANGEMENT AND SAVING THE PLACEMENT FEES. THIS CHOICE MIGHT PLACE THE GOV AT A DISADVANTAGE, HOWEVER, IN SUBSEQUENT BORROWINGS FOR AN ESTIMATED TWO TO THREE BILLION DOLLARS. THIS LARGE AMOUNT, ACCORDING TO OUR SOURCE, WOULD PROBABLY BE BEYOND THE CENTRAL BANK'S CAPACITY TO DYNDICATE. DYNDICATION OF THE FIRST TRANCHE WOULD ESTABLISH THE GOV'S CREDIT AND PRESUMABLY FACILITATE PLACEMENT OF SUBSEQUENT LOANS.

5. COMMENT: THE FAVORABLE RESPONSE TO THE CENTRAL BANK'S INVITATION IS NOT SURPRISING. THE BORROWER WILL BE THE REPUBLIC OF VENEZUELA RATHER THAN THE LESS CREDIT WORTHY GOVERNMENT INSTITUTIONS WHOSE DEBT IS BEING CONSOLIDATED. VENEZUELA'S LOW DEBT RATIO, BALANCED BUDGET, AND SUBSTANTIAL FOREIGN EXCHANGE RESERVES MAKE IT A PRIME CANDIDATE FOR INTERNATIONAL CREDIT.
VAKY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, GOVERNMENT DEBTS, BANKS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA10693
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760335-1248
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760994/aaaadcna.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 CARACAS 10214
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by MartinML>; APPROVED <13 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DEBT CONSOLIDATION
TAGS: EFIN, VE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006